

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7073**

**BILL NUMBER: SB 231**

**DATE PREPARED:** Feb 21, 2001

**BILL AMENDED:** Feb 20, 2001

**SUBJECT:** Mail Order and Internet Pharmacy Designation.

**FISCAL ANALYST:** Jim Landers

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**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows insurers to designate a mail order or Internet pharmacy to provide prescription drugs to an insured. The bill requires a mail order or Internet pharmacy to employ a pharmacist licensed in Indiana who is responsible for dispensing prescription drugs into the state. The bill prohibits an insurer from requiring as a condition of coverage that an insured purchase prescription drugs from a designated mail order or Internet pharmacy. It also prohibits an insurer from applying a higher co-payment or deductible if an insured does not purchase prescription drugs from an in-network designated mail order or Internet pharmacy.

**Effective Date:** (Amended) July 1, 2001; July 1, 2002.

**Explanation of State Expenditures:** At this time, this provision has no fiscal impact to the state through the state's provision of health benefits to state employees. At the beginning of 2000, six state employee health plans allowed insureds to obtain prescription drugs from mail order pharmacies. However, none of the plans *required* purchases by mail order or the internet.

One can, however, develop a scenario where this provision could have a future fiscal impact to the state. This bill essentially provides for an "any willing provider" condition *within* an existing network and prohibits an insurer from *requiring* an insured individual to obtain prescription drugs from an internet or mail order pharmacy. As with other "any willing provider" requirements, there could be an impact to a health plan if and to the extent that mail order and Internet pharmacies can offer a lower cost alternative to health plans in exchange for volume assurances. If this provision precludes a health plan from obtaining the lowest possible price for pharmaceuticals (through a contractual arrangement with a mail order or internet pharmacy in exchange for the assurance of a higher volume of sales), the health plan may experience higher pharmaceutical costs than would have been experienced otherwise. Consequently, the higher health plan costs could be factored into insurance premiums and enrollment fees. Ultimately this could affect health plan costs to the state and/or to state employees.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This provision could have a fiscal impact to school corporations and local governments through the provision of health benefits to their employees. (See Explanation of State Expenditures, above.) There could be an impact if this provision precludes a health plan from obtaining the lowest possible price for pharmaceuticals. Higher health plan costs than would have occurred otherwise could be factored into insurance premiums and enrollment fees. Ultimately, the impact to local governments and school corporations would depend upon administrative action as to the determination of the employer/employee cost share for health insurance benefits.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** Local Governments and School Corporations.

**Information Sources:** Keith Beesley, Department of Personnel, 232-3062.